

## Message Text

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62

ACTION ABF-01

INFO OCT-01 EA-07 ISO-00 EB-07 SS-15 INR-07 /038 W

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R 092320Z OCT 75

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 7317

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STADIS////////////////////////////////////

E.O. 11652: N/A

TAGS: TW, AAUD, EINN

SUBJECT: FINAL CONFERENCE WITH GAO AUDITORS ON USG ASSISTANCE TO  
U.S. INVESTMENT ABROAD

REF: STATE 180575

1. GAO AUDITORS ALLAN BENNETT AND LOUIS RODRIGUES HAVE COMPLETED  
THEIR INVESTIGATION IN THE ROC AND HAD AN EXIT INTERVIEW WITH DCM  
AND CONTROL OFFICER DWIGHT CRAMER OCTOBER 9. SUMMARY OF FINDINGS  
AS FOLLOWS:

A. THEY FOUND NO EVIDENCE OF "RUN AWAY" INDUSTRIES EXCEPT  
PERHAPS FOR SOME OF U.S. COMPANIES ESTABLISHED IN THE ROC  
BEFORE 1972, I.E., BEFORE THE PERIOD COVERED BY THEIR STUDY. THIS  
FINDING PARALLELS THEIR CONCLUSIONS AFTER VISITS TO KOREA AND  
PHILIPPINES.

B. ON OPIC, THEY FOUND ADDITIONAL EVIDENCE SUPPORTING A  
PROPOSAL THEY WILL PROBABLY MAKE THAT OPIC INSURANCE COVERAGE SHOULD  
CORRESPOND TO PERIOD OF RETURN ON INVESTMENT, WHICH IS OFTEN THREE  
TO FIVE YEARS, INSTEAD OF AUTOMATICALLY GRANTING COVERAGE FOR UP TO  
20 YEARS. LATTER PRACTICE TIES UP OPIC FUNDS WHICH COULD BE  
UTILIZED FOR NEW PROJECTS. AUDITORS ALSO APPARENTLY FEEL OPIC MAY  
BE IMPOSING TOO MANY RESTRICTIONS ON ITSELF, FOR EXAMPLE THERE  
MIGHT BE CASES IN WHICH INSURANCE COVERAGE IN ONE COUNTRY SHOULD  
EXCEED PRESENT CEILING OF 10 PERCENT OF WORLDWIDE COVERAGE.

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C. ON EXIM BANK AUDITORS SAID IT WAS DIFFICULT TO COME TO GRIPS WITH SPECIFIC ISSUES; HOWEVER, THEY ARE CONSIDERING MAKING AT LEAST TWO POINTS: 1) PERHAPS EXIM SHOULD SOLICIT VIEWS OF LOCAL U.S. EMBASSY ON PROPOSED PROJECTS AND NOT RELY SOLELY ON ECONOMIC DATA PROVIDED BY THE U.S. FIRMS WHICH WANT TO SELL THE PRODUCTS AND THE FOREIGN RECIPIENTS WHICH WANT THE LOANS; AND 2) PERHAPS EXIM SHOULD BE MORE DISCRIMINATING AS TO TYPES OF FIRMS IT SUPPORTS IN THE U.S., THAT IS THE BANK SHOULD PROVIDE LOANS ONLY TO THOSE COMPANIES WHICH PROVIDE ADEQUATE SERVICING AND FOLLOW-UP TO SALES PARTIALLY FINANCED BY EXIM. EXIM SHOULD NOT SUPPORT EXPORTS OF COMPANIES WITH BASIC WEAKNESSES.

2. AUDITORS EXPRESSED PARTICULAR GRATITUDE FOR COOPERATION AND SUPPORT FROM EMBASSY.  
UNGER

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
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